Argentina: THE MARKET FOR AIRCRAFT AND PARTS

Aviation and parts
October 2008

Summary

Total Argentine imports of civil aviation aircraft, parts and components amounted to USD111 million in 2007. The market has been traditionally dominated by the U.S. with a healthy 80 percent share, or USD89 million. In spite of Argentina's vast territory, the aviation sector and the business aviation sub-sector continue to be an underdeveloped market. The country's airports registered a total passenger volume of 18 million in 2007, 245,000 tons of cargo and 350,000 aircraft movements. Aircraft represent approximately 70 percent of the total Argentine demand, and aircraft parts, components and avionics account for the remaining 30 percent.

The Argentine government is looking to restructure the aviation sector, introducing significant reforms in the commercial and civil aviation industry. The government has recently created ANAC, the Civil Aviation Administration, which entails the future transition from military to civilian control of civil aviation. According to the Argentine Air Force, there are 2,145 aircraft registered for general aviation.

Thanks to the improved airport infrastructure, international air cargo is growing in Argentina. It is estimated that import and export trade will generate over 350,000 metric tons of air cargo during 2008. LAN Airlines is the major carrier for both import and export trade, with 25 percent market share. Other players are Lufthansa, Air France, American Airlines, Aerolineas Argentinas, UPS, Cielos del Peru, Continental and others with single digit market share. Nearly all of the leading international cargo and courier firms operate in Argentina and approximately 70 international passenger/cargo, cargo-only and freight forwarding companies service the Buenos Aires Ezeiza Airport.

Market Overview

Air transportation in Argentina is growing at a conservative pace and new investments in both cargo and passenger operations are underway. Total mileage flown grew 25 percent in 2007 and is expected to increase another 20 percent in 2008 (including domestic and international flights). Argentina has the second most extensive air navigation system in South America and the airport infrastructure throughout the country has been upgraded significantly by the private operator, Aeropuertos Argentina 2000 S.A. They are now well equipped to handle the anticipated increase in both domestic and international cargo passenger traffic. Of particular interest to U.S. suppliers is the fact that Argentina relies primarily on state of the art imported equipment to satisfy the needs and to modernize the operations of the air transport sector.

Regarding flight safety, by law, the Argentine Air Force (AAF) Air Regions Command has sole responsibility to provide technical and operational infrastructure for commercial and private operators, including air traffic control, landing, navigational aids, communications, meteorology reports and fire-fighting. However, this may change in the medium-term if/when ANAC becomes operational.

Argentina has a total of 1,702 landing strips, of which 1,473 are considered to be of minimal use. The country has a network of more than 416 airfields. Of these, about 140 have permanent surface runways (concrete or asphalt). Only one has a runway longer than 3,659 m (2.20 miles); 31 have runways from 2,440 to 3,659 m (1.5 to 2.20 mi.); and 326 have runways of from 1,220 to 2,439 m (0.75 to 1.5 mi.). Altogether, about 200 airfields can handle general aviation and feeder airline flights. With the exception of Ezeiza and Jorge Newbery Airports in Buenos Aires, these airfields do not handle a significant volume of traffic.

In 2007, 18 million passengers used air services. Half were domestic flights and the other half international. It is expected that by 2010, passenger traffic will exceed 21 million annually.

Eleven airfields are approved to handle international jet flights: Ezeiza and Jorge Newbery in the City of Buenos Aires; Córdoba; Jujuy; Resistencia; Rosario; Río Gallegos; San Carlos de Bariloche; Corrientes; Salta; and Ushuaia. To a lesser extent, cargo flights use El Plumerillo near the city of Mendoza.

Import Market

ARGENTINE MARKET FOR AVIATION EQUIPMENT AND PARTS
(in millions of dollars)

	2006	2007	2008 (estimated)	Projected Growth
Total market size	99.4	108.8	150.0	12%
Total local production	4	4.5	5.5	10%
Total exports	2.0	2.4	3.0	15%
Total imports	101.4	110.9	123.0	10%
Imports from U.S.	80.8	88.7	98.4	15%

The total Argentine demand for aircraft and parts was valued at USD109 million in 2007, including aircraft, aircraft parts, components and avionics. The demand is forecast to grow by 35 percent to USD150 in 2008. Since this is a relatively small market, any new aircraft purchase translates into high percentage increases. The major end users include aircraft operators such as Aerolineas Argentinas and LAN Argentina, operators of regional and business jets, operators of air taxi services, charter and executive flight operators, as well as owners of private aircraft.

Traditionally, U.S. suppliers have enjoyed a healthy 80-percent market share. The other supplier countries are Germany, Brazil, Sweden, Israel, Poland, Italy and the Czech Republic, in that order.

Competition

U.S. Aviation parts and equipment are well known and highly regarded in Argentina, but competition from third country suppliers is growing. It is important for U.S. suppliers to have a long-term strategy for market entry and expansion and local representation is essential to successful sales efforts.

A competent and well regarded sales agent can significantly improve a U.S. firm's medium and long term chances of success. An agent is generally aware of a sales opportunity before the bids are announced, and provide important input to the potential buyers for the tender specifications. Increased competition has led Argentine customers to become even more demanding with respect to pricing. The strongest competitors are Brazil and Germany.

End Users

The primary end users are repair centers, airlines and individual aircraft owners. There are 139 service centers approved by the Air Force's Dirección Nacional de Aeronavegabilidad (DNA) to service primarily general aviation aircraft. However, only a handful have a permanent technical stall of more than twenty while the rest are very small operations. The larger shops, such as Aerolineas Argentinas, Aero Baires, Helicenter, Aviaser and Hangar Uno, are well-equipped and engage in maintenance and, in some cases, modification of aircraft structures and systems. Capabilities include engine repair, overhaul and test, components overhaul and repair, service bulletins and upgrades and modification tasks. They require a wide variety of parts and materials to support their maintenance activities.

The two largest repair stations are Lockheed-Martin Aviation Argentina S.A. (LMAASA) and the Aerolineas Argentinas S.A. shop. LMAASA was formed in 1995, when the Argentine Air Force privatized the Cordoba aircraft factory it had started in 1927. The company has the ability to offer extensive maintenance, modification, and state-of-the-art upgrades for military and commercial users. The Aerolineas Argentinas maintenance facility performs the overhaul of the domestic fleet, consisting of B-737 200s and 500s, MD-80s, A-340s and B-747s.

Aerolíneas Argentinas is the national flag carrier and the fourth largest cargo carrier serving the nation. It was originally privatized in 1992 to a Spanish consortium led by the Spanish Airlines Iberia and subsequently purchased by Marsans, also from Spain. It is now in the process of being transferred back to Argentine Government ownership. Its fleet is composed of B747-200s, B747-400s, B737-200s (gradually being replaced by B737-500s), MD-81, 83 and 88, A-310 and A-340. It is the main domestic carrier, facing competition only from the newly created LAN Argentina. Internationally, it flies scheduled service to Madrid, Paris, Frankfurt, Zurich, London, Rome, the US and Latin America. It also has routes operating to New Zealand.

Aerolineas has announced plans to incorporate new aircraft. Its parent company, Austral, will apparently have an all-Embraer fleet whereas newer B-737s should be added to Aerolineas in the next few months.

Small airlines and air taxi companies cater to market niches and a client base not serviced by the larger airlines. The strategy of small companies is to focus on air cargo services. Air taxis are established in one city and service it. This special focus allows them to capture a regular clientele. Flights to Buenos Aires by small aircraft services use the San Fernando Airport, 15 miles north of Buenos Aires.

LAN Argentina, a subsidiary of LAN Chile, started domestic operations in Argentina in June 2005 with Boeing 737-200 flights between Buenos Aires' Aeroparque Jorge Newbery and the cities of Cordoba, Mendoza and Bariloche. They have recently added new planes and routes to Neuquen, Rio Gallegos and San Juan.

Air Cargo

As the economy continues to grow, international cargo transporters are becoming more active in Argentina. Nearly all of the leading international cargo and courier companies operate in Argentina, and approximately 70 international passenger/cargo, cargo only and freight forwarding companies service the Buenos Aires Ezeiza Airport.

Market Access

Considering that Argentina is a large country equivalent to the U.S., east of the Mississippi river, business aviation has a lot of room to grow. Most general aviation aircraft owners overhaul their planes in Fort Lauderdale and Miami. According to the Argentine Air Force registry, there are 2,134 aircraft that can be used for business aviation. There are no non-tariff barriers to the sale of U.S. aviation or avionics products in Argentina. Argentine end-users are quite loyal to existing suppliers, so it is crucial to establish a solid relationship with one to pursue any new system or project.

Sales of aviation equipment are typically made with the assistance of a well-respected agent or representative. The importance of finding an effective agent or consultant cannot be over-emphasized, and the appointment should only be done after careful due diligence. We recommend interested U.S. firms make use of the Embassy's Commercial Section for assistance in identifying potential agents or consultants.

Market Entry

The importation of new aircraft and parts are exempted from import duties. There are no non-tariff barriers to the sale of U.S. aviation products in Argentina. Used or remanufactured parts cannot be imported.

Although difficult to predict due to the aviation industry's volatile nature, the Argentine civil aviation market is expected to increase by 12 percent in 2010. Market growth is closely linked to the health of the Argentine national carrier Aerolineas Argentinas. Although general aviation as a business productivity tool is already well accepted in the United States, Argentina has been slower to embrace this concept, due mainly to financial and economic considerations. Business aviation has been rather undeveloped in Argentina. Only a handful of companies own and use private planes for their business activities. However, many Argentine executives and politicians are increasingly realizing the advantages in the use of business jets and helicopters for flexibility and to avoid congested airports and flight delays. As a result, demand is gradually increasing in the business/regional market segment as well as in helicopters.

Key Contacts

1) Fuerza Aérea Argentina
Comando de Regiones Aéreas
Avda. Com. Pedro L. Zanini 250
C1104XF Bs.As.
Tel. 4317-6112/6133/6014
Fax 4317-612
Brigadier Carlos Matiak
http://www.cra.gov.ar

Dirección Nacional de Aeronavegabilidad
Junín 1060
Buenos Aires (1113)
Tel: (5411) 4576-6405
Fax:(5411) 4508-2108
http://www.dna.org.ar/dnaportal/home/home.asp

2) Ministerio de Planificación Federal
Ing. Ricardo Jaime
Secretario de Transporte
Hipólito Irigoyen 250, Piso 12
Buenos Aires (1086)
Tel. (5411) 4349-7254
Fax: (5411) 4349-7201

email: sectrans@minplan.gov.ar
http://www.transporte.gov.ar

The U.S. Commercial Service — Your Global Business Partner.

The U.S. Commercial Service in Buenos Aires, Argentina can be contacted via e-mail at: Buenos.Aires.Office.Box@mail.doc.gov Phone: (5411) 5777-4367, Fax: (5411) 5777-4602 or visit our website: http://www.BuyUSA.gov/argentina/en

Locate the U.S. Commercial Service trade specialist nearest you by visiting www.export.gov.